

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 SCEM-02 INT-08 AID-20 CEA-02 CIAE-00

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STR-08 TRSE-00 LAB-06 SIL-01 OMB-01 CEQ-02 EPA-04

SCI-06 DODE-00 PM-07 H-03 L-03 NSC-10 PA-03 PRS-01

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INFO AMEMBASSY BONN

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AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

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C O R R E C T E D C O P Y (TEXT - PARA 7)

EO 11652 NA

TAGS: ENRG, EEC

SUB: ENERGY: THE COMMISSION'S PROPOSALS ON THE EC
INTERNAL PETROLEUM MARKET AND OTHER SUBJECTS

REF: A) EC BRUSSELS 2504

B) EC BRUSSELS 2876

C) EC BRUSSELS 2898

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D) EC BRUSSELS 3739

E) EC A-252

1. SUMMARY. THE EC COMMISSION IS CONTINUING THE PREPARATION OF ITS PROPOSALS ON A NUMBER OF ENRGEY SUBJECTS, LOOKING FORWARD TO ANOTHER ENERGY COUNCIL MEETING THIS AUTUMN. THESE SUBJECTS INCLUDE THE COMMUNITY'S INTERNAL PETROLEUM MARKET, AS INDICATED BY SIMONET JULY 3 IN THE EUROPEAN PARLIAMENT. THE COMMISSION'S PROPOSALS ON THIS SUBJECT WILL BE ESSENTIALLY THE SAME AS THOSE CONTAINED IN ITS APRIL 19 PAPER ALTHOUGH WITH REFINEMENTS TO REFLECT THE DISCUSSIONS IN THE MAY 22 ENERGY COUNCIL. END SUMMARY.

2. THE MISSION HAS FOLLOWED UP THE STATEMENT MADE BY COMMISSION VICE PRESIDENT SIMONET TO THE EUROPEAN PARLIAMENT THAT THE COMMISSION WOULD PRESENT PROPOSALS ON THE ORGANIZATION OF THE COMMUNITY'S INTERNAL OIL MARKET (REF D). WE HAVE DISCUSSED THIS SUBJECT WITH MICHEL VANDEN ABEELE, DEPUTY CHEF DE CABINET TO SIMONET, GEORGES BRONDEL, DIRECTOR FOR HYDROCARBONS: LUCIO CORRADINI, DIRECTOR FOR ENERGY ECONOMY; AND GIORGIO LONGO, OF CORRADINI'S DIRECTORATE. WE ALSO HAD AN OPPORTUNITY TO DISCUSS THIS WITH SOME INDUSTRY REPRESENTATIVES. TWENTY OF THE TOP EUROPEAN EXECUTIVES OF TEXACO HELD A SEMINAR IN BRUSSELS ON JULY 17 AND 18, IN THE COURSE OF WHICH THEY HAD A LONG AND FRANK DISCUSSION WITH FERNAND SPAAK, THE COMMISSION'S DIRECTOR GENERAL FOR ENERGY, AND BRONDEL. WE MET WITH THEM SUBSEQUENTLY TO DISCUSS THEIR CONVERSATIONS WITH SPAAK AND BRONDEL.

3. ACCORDING TO THE ABOVE SOURCES, THE COMMISSION IS PROCEEDING WITH ITS PREPARATION OF THE SEVEN PAPERS WHICH, AS A RESULT OF THE MAY EC COUNCIL DISCUSSION, IT COMMITTED ITSELF TO PREPARE ON VARIOUS ASPECTS OF THE COMMUNITY ENERGY SITUATION (REF B). PRESENT PLANS CALL FOR THE COMMISSIONERS TO CONSIDER ON JULY 25 THE PAPERS ON RELATIONS WITH CONSUMER COUNTRIES, RELATIONS WITH PRODUCING COUNTRIES, ENERGY RESEARCH AND DEVELOPMENT, AND THE ORGANIZATION OF THE COMMUNITY PETROLEUM MARKET.

4. OUR DISCUSSIONS WITH COMMISSION SOURCES WERE FOCUSED CHIEFLY ON THE LATTER SUBJECT. FOR EXAMPLE, WE SPECIFICALLY LIMITED OFFICIAL USE

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ASKED CORRADINI IF THE PLAN WAS TO PROPOSE TO THE COUNCIL THAT THE COMMUNITY ADOPT A MARKET ORGANIZATION BASED ON THE FRENCH MODEL. HE EMPHATICALLY REPLIED IN THE NEGATIVE, SAYING THAT THE FRENCH SYSTEM IS OBSOLETE, IT WAS ADOPTED IN THE 1920'S AND THE FRENCH THEMSELVES REALIZE THAT IT MUST BE CHANGED, AND THAT IT WILL NOT SERVE AS A MODEL FOR A COMMUNITY-WIDE MARKET ORGANIZATION.

5. THE COMMISSION'S PROPOSALS ON THE ORGANIZATION AND FUNCTIONING OF THE COMMUNITY PETROLEUM MARKET WILL HAVE THREE MAIN FEATURES. FIRST, ITS INTERNAL FOCUS WILL BE BASED ON THE PREMISE THAT THERE MUST BE FREE CIRCULATION OF PETROLEUM PRODUCTS AMONG THE NINE MEMBER STATES; THERE WILL ALSO BE A REQUIREMENT FOR THE HARMONIZATION OF STOCKPILE MEASURES. SECOND, THERE WILL BE A COMMON EXTERNAL FOCUS, BASED UPON A COMMON IMPORT-EXPORT POLICY. THIRD, THE PAPER WILL SET FORTH ADDITIONAL DETAILS REGARDING RELATIONS WITH OIL COMPANIES.

6. WE ARE TOLD THAT THE MOST SIGNIFICANT PORTION OF THE PROPOSALS WILL DEAL WITH THE THIRD FEATURE, I.E., RELATIONS WITH THE OIL COMPANIES. THE COMMISSION FEELS IT HAS GENERAL ACCEPTANCE FROM THE MAY 22 COUNCIL MEETING OF THE PRINCIPLE THAT THERE MUST BE A SYSTEM OF CLOSE CONSULTATION BETWEEN THE COMMISSION, THE MEMBER STATE GOVERNMENTS, AND THE OIL COMPANIES. THE COMMISSION'S DEFINITION OF CLOSE CONSULTATION OR "CONCERTATION," WAS SET FORTH BY ENERGY DIRECTOR GENERAL FERNAND SPAAD IN A BRUSSELS SPEECH ON JUNE 21 IN WHICH HE ALSO MADE REASSURING COMMENTS ABOUT THE CONTINUING IMPORTANT ROLE OF THE OIL COMPANIES. (SEE REF E.)

7. THE COMMISSION PROPOSALS WILL NOW GO ON TO INCLUDE THE IDEA THAT THE COUNCIL AUTHORIZE AN INTRAGOVERNMENTAL BODY FOR COORDINATING PETROLEUM MARKET ACTIVITIES AND THAT THIS BODY INCLUDE FULL PARTICIPATION BY THE COMMISSION. SPECIFICALLY, IT WILL BE PROPOSED THAT THE COUNCIL FORMALLY ORGANIZE THE PRESENT INFORMAL GROUP OF NATIONAL DIRECTORS OF PETROLEUM ADMINISTRATIONS WHICH MEETS THE THIRD WEEK OF EVERY MONTH WITH SIMONET. (WHILE THE EXACT TITLES AND POSITIONS VARY, THE MEMBERS OF THIS INFORMAL COMMITTEE INCLUDE, FOR EXAMPLE, ECONOMICS MINISTRY ASSISTANT SECRETARY LANTZKE OF THE FRG, PETER VINTER OF THE DEPARTMENT OF TRADE AND INDUSTRY FROM THE UK, AND SECRETARY LIMITED OFFICIAL USE

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GENERAL FOR ENERGY COUTERE OF THE FRENCH MINISTRY OF INDUSTRIAL AND SCIENTIFIC DEVELOPMENT.) THIS BODY, ACCORDING TO THE COMMISSION'S PRESENT THINKING, WOULD BE THE CENTRALIZED POINT OF CONTACT WITH THE COMPANIES. IT WOULD BE GIVEN THE AUTHORITY TO REQUIRE INDIVIDUALS OR FIRMS TO APPEAR AT HEARINGS OR OTHERWISE TO PROVIDE INFORMATION AND TO ISSUE COORDINATED DIRECTIVES IT WOULD CONCERN ITSELF WITH PRICE, MERGERS, INVESTMENT PLANS, ETC. ITS PRICE SURVEILLANCE WOULD BE CARRIED OUT BY A SYSTEM WHICH WOULD SURVEY IMPORT COSTS AND DISTRIBUTION COSTS AND WOULD ALLOW COMPANIES A FIXED PROFIT RATE.

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COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

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INFO AMEMBASSY BONN

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8. WE HAVE QUESTIONED OUR COMMISSION SOURCES TO DETERMINE WHETHER, IN FACT, THERE WAS A CHANGE IN SIMONET'S POSITION AND WHETHER HE MOVED CLOSER TO THE FRENCH POSITION THAT THE INTERNAL MARKET MUST BE ORGANIZED AS THE FIRST STEP IN DEVELOPING A COMMUNITY ENERGY POLICY (REF D). WE HAVE BEEN INFORMED THAT SIMONET'S POSITION HAS NOT CHANGED: REPORTEDLY, HE BELIEVES THAT THE ORGANIZATION OF THE COMMUNITY'S INTERNAL PETROLEUM MARKET IS NOT REQUIRED IN ADVANCE OF EC PARTICIPATION IN DISCUSSIONS OF INTERNATIONAL COOPERATION AMONG OIL-CONSUMING NATIONS, BUT THAT THE TWO MUST PROCEED IN PARALLEL. THIS WAS A LIMITED OFFICIAL USE

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POINT WHICH HE MADE TO THE COUNCIL ON MAY 22 (REF C). HE FEELS IT IS NECESSARY TO PROCEED NOW WITH THE INTERNAL ORGANIZATION SO THAT ANY MEASURES TO WHICH THE EC AGREES IN OECD CAN BE EFFECTIVELY CARRIED OUT.

9. WE ALSO SOUGHT CLARIFICATION FROM THE COMMISSION REGARDING THE DEGREE OF CHANGE FROM ITS EARLIER PROPOSALS ON MARKET ORGANIZATION IN ITS PAPER OF APRIL 19. IN THIS EFFORT, WE ENCOUNTER MORE AND MORE THE ATTITUDE WITHIN THE COMMISSION THAT THE MAY 23 ENERGY COUNCIL DID REACH A CERTAIN DEGREE OF UNDERSTANDING ON SOME COMMON ENERGY PROGRAMS AND THAT IT DID PROVIDE THE COMMISSION WITH USEFUL GUIDANCE IN SOME OTHER AREAS WHERE COMPLETE AGREEMENT WAS NOT REACHED. ONE SUCH AREA WAS MARKET ORGANIZATION AND HERE THE COMMISSION WORKING LEVEL OFFICIALS FEEL THAT ITS PRESENT PROPOSALS ARE A LOGICAL EXTENSION AND REDEFINITION OF THE GENERAL POINTS CONTAINED IN THE APRIL 19 PAPER AND THAT THE COUNCIL IN ITS DISCUSSIONS IN MAY GAVE THEM SUFFICIENT GUIDANCE TO CONTINUE TO DEVELOP THEIR EARLIER IDEAS.

10. IN DISCUSSING THE INTERNAL MARKET ORGANIZATION WITH TEXACO REPRESENTATIVES AFTER THEY HAD HEARD SPAAK AND BRONDEL, WE WERE TOLD IN CONFIDENCE THAT, IN GENERAL, TEXACO FEELS LESS UNCOMFORTABLE WITH THE COMMISSION'S PROPOSALS, AS THEY UNDERSTAND THEM, THAN THEY DID WITH LAST SPRINGS' VERSION OF THE COMMISSION'S PROPOSALS. THEY CONSIDER THEM MORE MODERATE AND THUS PRESUMABLY LESS OBJECTIONABLE.

11. IN HIS CONVERSATIONS WITH THE TEXACO AUTHORITIES, SPAAK SAID THE COMMISSION CLEARLY NEEDED MORE INFORMATION FOR PLANNING PURPOSES. TEXACO RESPONDED BY ASKING WHY THE COMMISSION NEEDED ADDITIONAL INFORMATION, INASMUCH AS THE DESIRED INFORMATION HAS PREVIOUSLY BEEN FURNISHED TO MEMBER STATE GOVERNMENTS, AND SUGGESTED THAT THE NECESSARY INFORMATION BE OBTAINED FROM THOSE SOURCES. SPAAK REPORTEDLY RESPONDED THAT THE COMMISSION SEES A NEED FOR A MORE FORMAL EXCHANGE OF INFORMATION WITH THE COMPANIES BECAUSE OF ANTICIPATED CENTRALIZATION OF THE COMMUNITY'S OIL POLICIES. TEXACO TOLD US THEY ARE RELUCTANT TO SEE THEIR RELATIONS WITH THE COMMISSION BECOME MORE FORMAL BECAUSE THEY FEAR THEY WILL BE CAUGHT IN THE MIDDLE BETWEEN THE MEMBER STATES AND THE COMMISSION. ALSO, THEY ARE UNEASY ABOUT GIVING INFORMATION BECAUSE THEY FEAR IT LEADS TO REGULATION. IN LIMITED OFFICIAL USE

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ADDITION, SOME INFORMATION (E.G., PRICES) IS SENSITIVE AND SOME IS PROPRIETARY. THEREFORE, THEY WOULD PREFER INFORMAL, BILATERAL CONSULTATIONS BETWEEN INDIVIDUAL COMPANIES AND THE COMMISSION INSTEAD OF GROUP SESSIONS BETWEEN COMPANIES AND THE COMMISSION.

12. IN ITS PAPER ON EC RELATIONS WITH PRODUCING COUNTRIES, THE COMMISSION WILL PROPOSE TO THE COUNCIL THAT THE COMMISSION BE AUTHORIZED TO DEAL DIRECTLY WITH GOVERNMENTS OF PRODUCING COUNTRIES IN FUTURE NEGOTIATIONS. (COMMENT: WE ARE SKEPTICAL ABOUT THIS AND QUESTIONED OUR TEXACO SOURCES CLOSELY, BUT THEY INSISTED THIS IS WHAT THEY WERE TOLD. HOWEVER, IN THE SPAAK SPEECH MENTIONED ABOVE, HE SAID THERE HAD NEVER BEEN ANY QUESTION OF THE COMMISSION NEGOTIATING WITH PRODUCER GOVERNMENTS. END COMMENT).

13. WE WILL BE DISCUSSING THIS SUBJECT WITH OUR SOURCES AGAIN IN THE NEXT FEW WEEKS AND PARTICULARLY AFTER THE JULY 25 COMMISSION MEETING AND WILL REPORT FURTHER.GREENWALD

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